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STATE FOR AF/W  
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STATE PASS OPIC FOR ZHAN, MSTUCKART  
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STATE PASS EXIM FOR JRICHTER  
DOE FOR GPERSON, CGAY  
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SUBJECT: Nigerian Grain Production Drop Leads to Higher Food Prices

11. Summary: With the drop in Nigeria's grain production from reduced acreage and late season dryness, the price of grain has risen and with it animal feed, leading to higher prices for eggs, poultry, and meats to consumers. These price increases come at a time when the price of bread, which is eaten by all segments of Nigerian society, is rising due to the high cost of international wheat. Nonetheless, the rise does not seem to be either sufficiently steep or precipitous enough to threaten social stability. End Summary.

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Drop in Production Drives Up Grain Prices  
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12. In 2006, Nigeria produced bumper crops of corn and other grains. In addition, the impact of avian influenza on the poultry industry led to a drop in demand for feed. As the result of these two influences, farmers got poor returns on their crops, and many shifted out of grains and into the production of soybeans, rice and cotton in 2007. High fertilizer costs also influenced farmers' decisions to shift away from corn.

13. Erratic rainfall in the 2007 growing season reduced yields of corn and other major grains, including sorghum, of which Nigeria is the world's second largest producer, and millet. After early rains, a long dry spell caused farmers to plant and in some cases replant. Another spell of good rain ended three weeks early, severely affecting corn yields, especially in northern states such as Kano, Katsina, Zamfara and Sokoto. These influences drove up the price of grains used by farmers as feed and by millers and other food processing concerns.

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Exports & Import Ban Also Boosts Grain Prices  
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14. Neighboring countries, such as Niger, were also affected by the lack of rain and have increased their imports of Nigerian grains. This pressure also added to the domestic price increases for Nigerian grains. The Nigerian government's ban on corn imports from the United States, further exacerbates the scarcity and drives up price. (Note: The cost of landed U.S. corn into southern ports is approximately USD 300 per ton, as compared with the price of domestic corn, USD 400 per ton. End Note.)  
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## Poultry, Egg & Meat Prices Jump

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¶5. Higher prices for grains resulted in higher costs of feeding poultry and livestock. The high cost of international wheat prevents feed millers from substituting wheat for corn in feeds. Increases in costs are squeezing poultry producers as they are trying to expand their flocks after avian influenza outbreaks in ¶2006. As a result, the cost of poultry, meat and eggs on the Nigerian market has risen; the cost of a crate of 30 eggs has risen from naira 550 (USD 4.6) to naira 600 (USD 5).

¶6. Comment: The increased costs of chicken, eggs and corn comes at the same time as the high international price of wheat is driving up the price of bread, a staple food eaten by Nigerians of every class on an almost daily basis. Nonetheless, the increase in prices does not seem to be sufficiently steep or precipitous enough to threaten social stability. The Foreign Agricultural Service compiled this information in GAIN Report 17028, dated 11/2/2007. End Comment.

HUTCHINSON